

General Information Letter: Compensation paid to a nonresident professional athlete by a team based outside Illinois is apportionable to Illinois only if the state in which the team is based taxes a portion of the compensation of nonresident athletes paid by Illinois-based teams.

August 24, 2000

Dear:

This is in response to your letter dated August 1, 2000, in which you request information regarding the Illinois income taxation of non-resident professional athletes. Department of Revenue ("Department") regulations require that the Department issue only two types of letter rulings, Private Letter Rulings ("PLRs") and General Information Letters ("GILs"). PLRs are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. GILs do not constitute statements of agency policy that apply, interpret or prescribe the tax laws and are not binding on the Department. For your general information, the regulation governing the issuance of letter rulings, 2 Ill. Adm. Code Part 1200 regarding rulings and other information issued by the Department, can be accessed at the Department's website. That address is www.revenue.state.il.us/legalinformation/regs/part1200. The nature of your question and the information provided require that we respond only with a GIL.

In your letter, you inquire as follows:

This letter is meant to inquire about the taxation of non-resident professional athletes that perform in your state. I am a tax preparer for professional athletes who are nonresidents of your state and who played or will play one or more road games in your state in 2000.

I am aware that many jurisdictions have special rules for professional athletes, regarding the allocation of income to the state, contract periods, etc. However, the rules are not uniform from state to state.

I would greatly appreciate it if you could forward any income tax regulations, administrative releases, or other authoritative information detailing the tax treatment of nonresident professional athletes in your state to my attention.

In addition, could you please advise me if the localities where the stadiums are located in your state impose any city or local income taxes on nonresident professional athletes. If so, could you please provide the name, address, and telephone number of the taxing authority for that local jurisdiction so that I may obtain further information.

Please be advised that Illinois taxes the compensation income of nonresident professional athletes on a limited basis. The limitation is that the tax is retaliatory in nature. If a team based outside of Illinois comes from a state that imposes an income tax on players from Illinois teams who are nonresidents of that state, then Illinois will tax the compensation income of players from that team who are nonresidents of Illinois.

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That tax is set forth at Illinois Income Tax Act Section 304(a), specifically Section 304(a)(2)(B)(iii) (copy enclosed). That law is implemented by certain regulations. I have enclosed a copy of those regulations, as well as an article of mine which was published in the Spring edition of the Journal of State Taxation, 1998. That article keys on the Illinois income taxation of endorsement and royalty income of nonresident professional athletes but also addresses compensation income.

You will need to write the corporate offices of the City of Chicago for information regarding local income taxation. That address is: City of Chicago, Department of Revenue, 107 City Hall, Chicago, IL 60602

Sincerely yours,

Jackson E. Donley,
Senior Counsel – Income Tax